

MEMO

DATE: May 6, 2004

TO: The Community Economic and Human Development Committee (CEHD)

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SUBJECT: Legislative Roundtable

RECOMMENDED ACTION: Information Only

SUMMARY:

At the March 4, 2004 meeting of the Community Economic and Human Development Committee (CEHD), the committee requested that staff provide a forum for discussion of general legislative issues and updates. Today's Legislative Roundtable is in response to the committee's request. Staff will provide a general legislative update, reviewing the SCAG legislative matrix as it pertains to the committee, as well as providing a brief update on the state budget as it relates to local finance. Specifically, staff will review the Building Industry Association's (BIA) Home Rule Initiative and the League of California Cities' Local Taxpayers and Public Safety Protection Act Initiative, as requested by the committee.



Text of Proposed Law

CALIFORNIA HOME RULE AMENDMENT CONSTITUTIONAL AMENDMENT AND STATUTE

This initiative measure is submitted to the people in accordance with the provisions of Article II, Section 8 of the Constitution.

This initiative expressly amends the Constitution by adding sections thereto and amending and repealing sections thereof, and adds sections to and amends and repeals provisions of the Government Code and the Revenue and Taxation Code. Existing provisions proposed to be deleted are printed in ~~strikeout type~~, and new provisions proposed to be added are printed in *italic type* to indicate they are new.

SECTION 1. Title. This measure shall be known and may be cited as the "California Home Rule Amendment."

SECTION 2. Findings and declarations. The people find and declare as follows:

(a) People have the most power to control government at the local level. This is the essence of home rule.

(b) Local government is far more efficient and responsible than state government in the use of tax revenues.

(c) Police protection, fire protection, public health, libraries, transportation, housing, and other important local community services must have an adequate, reliable, and guaranteed source of funding.

(d) Historically, local property taxes were used to pay for local community services. These local taxes have been taken by the state government, leaving local governments with a very small share of local property taxes, only 16 percent on average.

(e) Allowing local communities to keep more of their property taxes will safeguard funds for police and fire protection and other vital services.

(f) Making property taxes the principal source of local government revenues will require new residents in a community to pay their fair share of police, fire, parks,

health care, and other municipal services by contributing their property taxes to the city and county where they live.

(g) The State Legislature has approved laws that divert, use, or delay the payment of local tax revenues to cities and counties, which threatens funding for public safety, public health, parks, libraries, street maintenance, housing, and economic development. This practice must end.

(h) The State also must reimburse local governments when any new program or higher level of service is mandated, and when revenues previously allocated to local government are reallocated or redistributed to a state-created fund.

SECTION 3. Competing, regulatory alternative.

A. In the event that another measure ("competing measure") appears on the same ballot as the California Home Rule Amendment which seeks to adopt or impose provisions or requirements that differ in any regard to, or supplement, the provisions or requirements contained in the California Home Rule Amendment, including but not limited to the California Home Rule Amendment's re-enactment of existing laws, the voters hereby expressly declare their intent that if both the competing measure and the California Home Rule Amendment receive a majority of votes cast, and if the California Home Rule Amendment receives a greater number of votes than the competing measure, the California Home Rule Amendment shall prevail in its entirety over the competing measure without regard to whether specific provisions of each measure directly conflict with each other.

B. In the event that both the competing measure and the California Home Rule Amendment receive a majority of votes cast, and the competing measure receives a greater number of votes than the California Home Rule Amendment, the California Home Rule Amendment shall be deemed complementary to the competing measure. To this end, and to the maximum extent permitted by law, the provisions of the California Home Rule Amendment shall be fully adopted except to the extent that specific provisions contained in each measure are deemed to be in direct conflict with each other on a "provision-by-provision" basis pursuant to *Yoshisato v. Superior Court* (1992) 2 Cal.4th 978.

SECTION 4. Repeal of Section 15 of Article XI of Constitution.

Section 15 of Article XI of the Constitution is repealed:

~~Section 15. (a) All revenues from taxes imposed pursuant to the Vehicle License Fee Law, or its successor, other than fees on trailer coaches and mobilehomes, over and above the costs of collection and any refunds authorized~~

~~by law, shall be allocated to counties and cities according to statute.~~

~~(b) This section shall apply to those taxes imposed pursuant to that law on and after July 1 following the approval of this section by the voters.~~

SECTION 5. Addition of Section 16 to Article XI of Constitution.

Section 16 is added to Article XI of the Constitution to read in its entirety as follows:

Section 16. (a) The property tax revenues that are collected by counties pursuant to subdivision (a) of Section 1 of Article XIII A of the Constitution for allocation to counties and cities shall be apportioned by county auditors to each city and each county according to this section, other applicable provisions of the California Home Rule Amendment, and other laws implementing the provisions of the California Home Rule Amendment for the purpose of effecting the transfers and allocations of revenues required pursuant to the California Home Rule Amendment.

(b) For the 2005-06 fiscal year, and each fiscal year thereafter, the amount of property tax revenues allocated to each city and each county shall be determined on the basis of a percentage of the total amount of property tax revenues that are collected by the county pursuant to subdivision (a) of Section 1 of Article XIII A.

(c) Each county auditor shall calculate the percentage of property tax revenues to be allocated to each city and each county pursuant to subdivision (b) by dividing the sum of property tax revenues, including but not limited to those revenues allocated from the Sales and Use Tax Compensation Fund, and vehicle license fee revenues that were allocated to each city and each county in fiscal year 2004-05 by the total amount of property tax revenues that were collected by the county in fiscal year 2004-05 for the applicable tax rate areas.

SECTION 6. Amendment of Section 24 of Article XIII of Constitution.

Section 24 of Article XIII of the Constitution is amended to read in its entirety as follows:

Section 24. (a) The Legislature may not impose taxes for local purposes but may authorize local governments to impose them.

(b) Money appropriated from state funds to a local government for its local purposes may be used as provided by law.

(c) *The Legislature may not appropriate, reallocate, redistribute, reduce, reapportion, suspend, or delay revenues from taxes imposed by local governments. Nor shall the Legislature require any local government, without the consent of the affected local government, to remit taxes imposed by local government to the State, a state-created fund, or another local government. For purposes of this subdivision, "taxes imposed by local governments" include, but are not limited to, the ad valorem tax on real property and tangible personal property, local sales and use taxes in excess of the amount of any sales or use tax imposed by the State upon a retailer or consumer, the business license tax, the transient occupancy tax, and the utility users tax.*

(d) Moneys subvened to a local government under Section 25 may be used for state or local purposes.

SECTION 7. Amendment of Section 1 of Article XIII A of Constitution.

Section 1 of Article XIII A of the Constitution is amended to read in its entirety as follows:

Section 1. (a) The maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property. The one percent (1%) tax ~~to~~ shall be collected by the counties and, *as to allocations to counties and cities, shall be apportioned according to law to the districts within the counties the provisions of Section 16 of Article XI and, as to allocations to the other districts within the counties, shall be apportioned according to law.*

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any of the following:

(1) Indebtedness approved by the voters prior to July 1, 1978.

(2) Bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

considered allocations to school districts and community colleges for purposes of computing the amount of state aid pursuant to paragraph (2) or (3) of subdivision (b) in the subsequent fiscal year.

(d) In any fiscal year in which school districts and community college districts are allocated funding pursuant to paragraph (3) of subdivision (b) or pursuant to subdivision (h), they shall be entitled to a maintenance factor, equal to the difference between (1) the amount of General Fund moneys which would have been appropriated pursuant to paragraph (2) of subdivision (b) if that paragraph had been operative or the amount of General Fund moneys which would have been appropriated pursuant to subdivision (b) had subdivision (b) not been suspended, and (2) the amount of General Fund moneys actually appropriated to school districts and community college districts in that fiscal year.

(e) The maintenance factor for school districts and community college districts determined pursuant to subdivision (d) shall be adjusted annually for changes in enrollment, and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B, until it has been allocated in full. The maintenance factor shall be allocated in a manner determined by the Legislature in each fiscal year in which the percentage growth in per capita General Fund revenues exceeds the percentage growth in California per capita personal income. The maintenance factor shall be reduced each year by the amount allocated by the Legislature in that fiscal year. The minimum maintenance factor amount to be allocated in a fiscal year shall be equal to the product of General Fund revenues from proceeds of taxes and one-half of the difference between the percentage growth in per capita General Fund revenues from proceeds of taxes and in California per capita personal income, not to exceed the total dollar amount of the maintenance factor.

(f) For purposes of this section, "changes in enrollment" shall be measured by the percentage change in average daily attendance. However, in any fiscal year, there shall be no adjustment for decreases in enrollment between

the prior fiscal year and the current fiscal year unless there have been decreases in enrollment between the second prior fiscal year and the prior fiscal year and between the third prior fiscal year and the second prior fiscal year.

(g) For purposes of this section, the transfers or allocations of sales tax revenues and revenues attributable to or derived from the fund established by the Vehicle License Fee Law (or its successor fund or account, or replacement or backfill funds or accounts therefor, howsoever designated), which transfers or allocations are required by the California Home Rule Amendment to the credit of each county's School Assistance Fund for Education, shall be deemed to constitute allocated local proceeds of taxes, and shall not be considered to be State General Fund revenues.

(h) Subparagraph (B) of paragraph (3) of subdivision (b) may be suspended for one year only when made part of or included within any bill enacted pursuant to Section 12 of Article IV. All other provisions of subdivision (b) may be suspended for one year by the enactment of an urgency statute pursuant to Section 8 of Article IV, provided that the urgency statute may not be made part of or included within any bill enacted pursuant to Section 12 of Article IV.

SECTION 10. Amendment of Section 29530 of Government Code.
Section 29530 of the Government Code is amended to read in its entirety as follows:

29530. (a) If the board of supervisors so agrees by contract with the State Board of Equalization, the board of supervisors shall establish a local transportation fund in the county treasury and shall deposit in the fund all revenues transmitted to the county by the State Board of Equalization under Section 7204 of the Revenue and Taxation Code, which are derived from that portion of the taxes imposed by the county at a rate in excess of 1 percent, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 of the Revenue and Taxation Code cease to apply, at a rate in excess of one-half of 1 percent, pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of that code, less an allocation of the cost of the services of the State Board of Equalization in administering the sales and use tax ordinance related to the rate in excess of 1 percent,

~~and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 of the Revenue and Taxation Code cease to apply, to the rate in excess of one-half of 1 percent, and of the Director of Transportation and the Controller in administering the responsibilities assigned to him or her in Chapter 4 (commencing with Section 99200) of Part 11 of Division 10 of the Public Utilities Code.~~

(b) Any interest or other income earned by investment or otherwise of the local transportation fund shall accrue to and be a part of the fund.

SECTION 11. Addition of Chapter 6.3 to Government Code. Chapter 6.3 (commencing with Section 30020) is added to Division 3 of Title 3 of the Government Code, to read in its entirety as follows:

Chapter 6.3 School Assistance Fund for Education (SAFE)

30020. A School Assistance Fund for Education is hereby created in each county. The county auditor shall allocate moneys in the fund according to this chapter. Moneys in the fund may only be allocated and appropriated for the purposes specified in this chapter.

30021. Each county's School Assistance Fund for Education shall consist of the following moneys:

(a) (1) All revenues that are derived from or attributable to the fund established by the Vehicle License Fee Law, or its successor or replacement fund or account, howsoever designated, other than fees on trailer coaches and mobilehomes, over and above the costs of collection and any refunds authorized by law, shall be transferred and allocated by the Controller to each county's School Assistance Fund for Education on the basis of population of such county in relation to the population of the State.

(2) Excluded from this subdivision shall be the portion of those revenues derived from or attributable to the fund established by the Vehicle License Fee Law, or its successor or replacement fund or account, howsoever designated, that are transferred to the Local Revenue Fund pursuant to Revenue and Taxation Code Sections 11000 through 11006, and that are allocated to and restricted for funding the programs specified by Welfare and Institutions Code Sections 17600 through 17600.20. In the event that such transferred revenues are no longer allocated to and

pursuant to Section 16 of Article XI of the Constitution, the amount of property tax revenues equal to the amounts previously advanced and allocated to the county and each city from the county's School Assistance Fund for Education in accordance with subdivision (b) shall be transferred by the county auditor to such fund as repayment of the advance.

(e) In the event that the amount advanced and allocated to local governments in accordance with subdivision (b) exceeds the property tax revenues that are available to be allocated to local governments pursuant to Section 16 of Article XI of the Constitution for any semi-annual property tax cycle, then the county auditor shall deduct the deficit amount as promptly as feasible from the amount advanced and allocated to the county and each city in the next semi-annual property tax cycle.

(f) The county auditor shall allocate such amounts, if any, to cities and the county as may be required pursuant to subdivision (d) of Section 97.68 of the Revenue and Taxation Code.

30023. (a) (1) On August 20 of fiscal year 2005-06, and on the 20th day of each sixth month thereafter, the county auditor shall allocate all moneys from the county's School Assistance Fund for Education to school districts and county offices of education on a per-student basis as set forth in this section.

(2) The county auditor shall, based on information provided by the county superintendent of schools pursuant to this paragraph, allocate that proportion of the revenue in the county's School Assistance Fund for Education to be allocated to school districts and county offices of education only to those school districts and county offices of education within the county that are not excess tax school entities, as defined in subdivision (n) of Section 95 of the Revenue and Taxation Code. The county superintendent of schools shall determine the amount to be allocated to each school district on a per-student basis. In no event shall any additional money be allocated from the county's School Assistance Fund for Education to a school district or county office of education upon that district or county office of education becoming an excess tax school entity. If, after determining the amount to be allocated to each school district and county office of education, the county superintendent of schools determines there are still additional funds to be allocated, the county superintendent of schools shall determine the remainder to be allocated on a per-student basis until all funds that would not result in a school

district or county office of education becoming an excess tax school entity are allocated. The county superintendent of schools may determine the amounts to be allocated between each school district and county office of education to ensure that all funds that would not result in a school district or county office of education becoming an excess tax school entity are allocated.

(3) The county auditor shall, based on information provided by the Chancellor of the California Community Colleges pursuant to this paragraph, allocate that proportion of the revenue in the county's School Assistance Fund for Education to be allocated to community college districts only to those community college districts within the county that are not excess tax school entities, as defined in subdivision (n) of Section 95 of the Revenue and Taxation Code. The chancellor shall determine the amount to be allocated to each community college district on a per-student basis. In no event shall any additional money be allocated from the county's School Assistance Fund for Education to a community college district upon that district becoming an excess tax school entity.

(4) (A) If, after making the allocation required pursuant to paragraph (2), the county auditor determines that there are still additional funds to be allocated, the auditor shall allocate those excess funds pursuant to paragraph (3). If, after making the allocation pursuant to paragraph (3), the auditor determines that there are still additional funds to be allocated, the auditor shall allocate those excess funds pursuant to paragraph (2). If, after determining the amount to be allocated to each community college district, the Chancellor of the California Community Colleges determines that there are still additional funds to be allocated, the Chancellor of the California Community Colleges shall determine the remainder to be allocated to each community college district on a per-student basis until all funds that would not result in a community college district becoming an excess tax school entity are allocated.

(B) If, after making the allocations pursuant to paragraphs (2) and (3) and subparagraph (A), the auditor determines that there are still additional funds to be allocated, the auditor shall allocate those excess funds to the county superintendent of schools. Funds allocated pursuant to this paragraph shall be counted as property tax revenues for special education programs in augmentation of the amount calculated pursuant to Section 2572 of the Education Code, to the extent that those property tax

revenues offset state aid for county offices of education and school districts within the county pursuant to subdivision (c) of Section 56836.08 of the Education Code.

(b) Notwithstanding any other provision of law, the following provisions shall apply in fiscal year 2005-06 to those school districts and county offices of education within the county that are excess tax school entities, as defined in subdivision (n) of Section 95 of the Revenue and Taxation Code:

(1) Such school districts and county offices of education shall be entitled to funds allocated pursuant to this section equivalent in amount to the loss, if any, of revenues resulting from the property tax exchanges required by the California Home Rule Amendment.

(2) To the extent that the total amount of funds allocated pursuant to paragraph (1) exceed, on a per-student basis, the funds allocated to those school districts and county offices of education within the county that are not excess tax school entities, as defined in subdivision (n) of Section 95 of the Revenue and Taxation Code, then such the total of the excess allocated amount shall be reduced by ten percent for each subsequent fiscal year for a period of ten fiscal years, so that no excess amount is allocated after the tenth subsequent fiscal year.

SECTION 12: Repeal of Section 97.68 of Revenue and Taxation Code.

The provisions of Section 97.68 of the Revenue and Taxation Code in effect on the effective date of the California Home Rule Amendment shall no longer be operative after June 30, 2005, shall be deemed repealed as of such date, and shall be replaced with the provisions set forth in Section 13 below.

~~97.68 Notwithstanding any other provision of law, in allocating ad valorem property tax revenue allocations for each fiscal year during the fiscal adjustment period, all of the following apply:~~

~~(a) (1) The total amount of ad valorem property tax revenue otherwise required to be allocated to a county's Educational Revenue Augmentation Fund shall be reduced by the countywide adjustment amount.~~

~~(2) The countywide adjustment amount shall be deposited in a Sales and Use Tax Compensation Fund that shall be established in the treasury of each county.~~

~~(b) For purposes of this section, the following definitions apply:~~

~~(1) "Fiscal adjustment period" means the period beginning with the 2004-05 fiscal year and continuing through the fiscal year in which the Director of Finance notifies the State Board of Equalization pursuant to subdivision (b) of Section 99006 of the Government Code.~~

~~(2) "Countywide adjustment amount" means the combined total revenue loss of the county and each city in the county that is annually estimated by the Director of Finance, based on the taxable sales in that county in the prior fiscal year as determined by the State Board of Equalization and reported to the director on or before August 15 of each fiscal year during the fiscal adjustment period, to result for each of those fiscal years from the 0.5 percent reduction in local sales and use rate tax authority applied by Section 7203.1.~~

~~(c) For each fiscal year during the fiscal adjustment period, moneys in the Sales and Use Tax Compensation Fund shall be allocated among the county and the cities in the county, and those allocations shall be subsequently adjusted, as follows:~~

~~(1) The Director of Finance shall, on or before September 1 of each fiscal year during the fiscal adjustment period, notify each county auditor of that portion of the countywide adjustment amount for that fiscal year that is attributable to the county and to each city within that county.~~

~~(2) The county auditor shall allocate revenues in the Sales and Use Tax Compensation Fund among the county and cities in the county in the amounts described in paragraph (1). The auditor shall allocate one half of the amount described in paragraph (1) in each January during the fiscal adjustment period and shall allocate the balance of that amount in each May during the fiscal adjustment period.~~

~~(3) After the end of each fiscal year during the fiscal adjustment period, other than a fiscal year subject to~~

subdivision (d), the Director of Finance shall, based on the actual taxable sales for the prior fiscal year, recalculate each amount estimated under paragraph (1) and notify the county auditor of the recalculated amount.

(4) If the amount recalculated under paragraph (3) for the county or any city in the county is greater than the amount allocated to that local agency under paragraph (2), the county auditor shall, in the fiscal year next following the fiscal year for which the allocation was made, transfer an amount of ad valorem property tax revenue equal to this difference from the Sales and Use Tax Compensation Fund to that local agency.

(5) If the amount recalculated under paragraph (3) for the county or any city in the county is less than the amount allocated to that local agency under paragraph (2), the county auditor shall, in the fiscal year next following the fiscal year for which the allocation was made, reduce the total amount of ad valorem property tax revenue otherwise allocated to that city or county from the Sales and Use Tax Compensation Fund by an amount equal to this difference and instead allocate this difference to the county Educational Revenue Augmentation Fund.

(6) If there is an insufficient amount of moneys in a county's Sales and Use Tax Compensation Fund to make the transfers required by paragraph (4), the county auditor shall transfer from the county Educational Revenue Augmentation Fund an amount sufficient to make the full amount of these transfers.

(d) (1) If Section 7203.1 ceases to be operative during any calendar quarter that is not the calendar quarter in which the fiscal year begins, the excess amount, as defined in paragraph (2), of the county and each city in the county shall be reallocated from each of those local agencies to the Educational Revenue Augmentation Fund.

(2) For purposes of this subdivision, "excess amount" means the product of both of the following:

~~(A) The total amount of ad valorem property tax revenue allocated to that local agency pursuant to paragraph (2) of subdivision (c).~~

~~(B) That percentage of the fiscal year in which Section 7203.1 is not operative.~~

~~(c) For the 2005-06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, may not reflect any portion of any property tax revenue allocation required by this section for a preceding fiscal year.~~

~~(f) This section may not be construed to do any of the following:~~

~~(1) Reduce any allocations of excess, additional, or remaining funds that would otherwise have been allocated to cities, counties, cities and counties, or special districts pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2 and clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.3, had this section not been enacted. The allocation made pursuant to subdivisions (a) and (c) shall be adjusted to comply with this paragraph.~~

~~(2) Require an increased ad valorem property tax revenue allocation to a community redevelopment agency.~~

~~(3) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is determined or allocated in a county.~~

SECTION 13. Addition of Section 97.68 of Revenue and Taxation Code.
Operative on and after July 1, 2005, and for fiscal year 2005-06 and each fiscal year thereafter, Section 97.68 of the Revenue and Taxation Code is added to read in its entirety as follows:

97.68 (a) Notwithstanding any other provision of this chapter, and in accordance with Section 16 of Article XI of the Constitution and other applicable provisions of law implementing the California Home Rule Amendment, revenues of ad valorem property taxes collected pursuant to subdivision (a) of Section 1 of Article XIII A of the Constitution and allocated to counties and to

cities shall be apportioned according to this section for the 2005-06 fiscal year and each fiscal year thereafter.

(b) For each applicable tax rate area, each city shall be allocated a certain percentage of property tax revenues that are collected by the county in which the city is located.

(1) The percentage of property tax revenues allocated to each city shall be calculated on the basis of the amounts of property tax revenues, including but not limited to those revenues allocated from the Sales and Use Tax Compensation Fund, and vehicle license fee revenues that were allocated to the city in fiscal year 2004-05 divided by the total amount of property tax revenues that were collected in fiscal year 2004-05 by the county in which the city is located.

(2) For the purposes of this subdivision, the amount of vehicle license fee revenues deemed to have been allocated to the city in fiscal year 2004-05 shall be calculated on the basis of a fee equal to two percent of the market value of the vehicle as determined by the Department of Motor Vehicles.

(c) For each applicable tax rate area, each county shall be allocated a certain percentage of property tax revenues that are collected by the county.

(1) The percentage of property tax revenues allocated to each county shall be calculated on the basis of property tax revenues, including but not limited to those revenues allocated from the Sales and Use Tax Compensation Fund, and vehicle license fee revenues that were allocated to the county in fiscal year 2004-05 divided by the total amount of property tax revenues that were collected in fiscal year 2004-05 by the county.

(2) Excluded from the calculation in paragraph (1) shall be revenues derived from vehicle license fees that are allocated to counties for the programs and services that are required pursuant to Revenue and Taxation Code Sections 11000 through 11006 for funding the programs specified by Welfare and Institutions Code Sections 17600 through 17600.20.

(3) For the purposes of this subdivision, the amount of vehicle license fee revenues deemed to have been allocated to the county in fiscal year 2004-05 shall be calculated on the basis of a

fee equal to two percent of the market value of the vehicle as determined by the Department of Motor Vehicles.

(d) Notwithstanding any other provision of law, the total amount of ad valorem property tax revenue otherwise required to be allocated to a county's Educational Revenue Augmentation Fund shall be reduced by the amount required to make the allocations specified in subdivisions (b) and (c). In the event that the county's Educational Revenue Augmentation Fund is not sufficient in amount to effect the required reduction, then the deficit amount shall be reduced from the allocated local proceeds of taxes available in the county for allocation to school districts and community college districts. In the event that the county's Educational Revenue Augmentation Fund and allocated local proceeds of taxes available in the county for allocation to school districts and community college districts are not sufficient in amount to effect the required reduction, then the deficit amount shall be allocated from the county's School Assistance Fund for Education established pursuant to Chapter 6.3 (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

(e) For the fiscal year 2006-07, and each fiscal year thereafter, ad valorem property tax revenues made pursuant to Section 96.1 shall fully incorporate the allocation adjustments required by this section.

(f) All provisions of Chapter 6 (commencing with Section 95), to the extent not inconsistent with the provisions of this section, shall be applicable to the allocation of ad valorem property tax revenues for the fiscal year 2006-07, and each fiscal year thereafter.

(g) Notwithstanding the repeal of Section 15 of Article XI of the Constitution and the addition of Section 36 to Article XIII of the Constitution pursuant to the California Home Rule Amendment, the amount, if any, that is allocated to each city and each county from the fund established by the Vehicle License Fee Law, or its successor or replacement fund, howsoever designated, shall be deducted from the property tax revenues otherwise required to be allocated to each city and each county pursuant to subdivisions (b) and (c).

(h) Each city and each county, within a three-year period commencing on January 1, 2005, shall have the opportunity to submit a one-time petition to the county auditor to implement a

recalculation and adjustment to the percentage of property tax revenues allocated to such city or county pursuant to subdivisions (b) and (c) based on increased sales tax revenues that, but for the California Home Rule Amendment, would have been allocated to the city or the county by reason of one or more approved development projects for which development applications were accepted as complete on or before January 1, 2005. Upon receipt of such a petition, the county auditor, upon consultation with the State Board of Equalization as appropriate, shall determine the appropriate recalculation adjustment.

(i) Nothing in this section shall do any of the following:

(1) Require an increased ad valorem property tax revenue allocation to a community redevelopment agency.

(2) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is determined in a county.

(3) Interfere with or otherwise impair the realignment of funds and financial responsibility for programs and services that is required pursuant to Revenue and Taxation Code Sections 11000 through 11006 for funding the programs specified by Welfare and Institutions Code Sections 17600 through 17600.20.

(j) Existing sales and use tax exchange and revenue sharing agreements, entered into prior to the operative date of this section, between local governments or between local governments and nonlocal governments shall be deemed to be modified to account for the reduction in sales and use tax revenues resulting from this section, with those reduced revenues to be replaced with property tax revenues as otherwise provided by law.

SECTION 14. Addition of Section 6051.7 to Revenue and Taxation Code.

Section 6051.7 is added to the Revenue and Taxation Code to read in its entirety as follows:

6051.7 (a) In addition to the taxes imposed by Section 6051 and any other provision of this part, for the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of one-half of 1 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state.

(b) All revenues, net of refunds, received pursuant to this section shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

(c) Revenues received pursuant to this section accruing to the School Assistance Fund for Education for each county shall not be considered to be "State General Fund proceeds of taxes appropriated pursuant to Article XIII B" within the meaning of either Section 8 of Article XVI of the California Constitution or Section 41202 of the Education Code.

(d) This section shall become operative on the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

SECTION 15. Addition of Section 6051.8 to Revenue and Taxation Code.
Section 6051.8 is added to the Revenue and Taxation Code to read in its entirety as follows:

6051.8. There are exempted from the taxes imposed by Section 6051.7 the gross receipts derived from the sale of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.

SECTION 16. Addition of Section 6201.7 to Revenue and Taxation Code.
Section 6201.7 is added to the Revenue and Taxation Code to read in its entirety as follows:

6201.7. (a) In addition to the taxes imposed by Section 6201 and any other provision of this part, an excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer at the rate of one-half of 1 percent of the sales price of the property.

(b) All revenues, net of refunds, received pursuant to this section shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

(c) Revenues received pursuant to this section accruing to the School Assistance Fund for Education for each county shall not be considered to be "State General Fund proceeds of taxes appropriated pursuant to Article XIII B" within the meaning of either Section 8 of Article XVI of the California Constitution or Section 41202 of the Education Code.

(d) This section shall become operative on the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

SECTION 17. Addition of Section 6201.8 to Revenue and Taxation Code.
Section 6201.8 is added to the Revenue and Taxation Code to read in its entirety as follows:

6201.8. There are exempted from the taxes imposed by Section 6201.7 the storage, use, or other consumption in this state of tangible personal property, other than fuel or petroleum products, by operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.

SECTION 18. Addition of Section 7101.4 to Revenue and Taxation Code.
Section 7101.4 is added to the Revenue and Taxation Code to read in its entirety as follows:

7101.4. Notwithstanding Section 7101, all revenues, less refunds, derived from the taxes imposed to Sections 6051.7 and 6201.7 shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has

been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

SECTION 19: Amendment of Section 7202 of Revenue and Taxation Code. Section 7202 of the Revenue and Taxation Code is amended to read in its entirety as follows:

7202. The sales tax portion of any sales and use tax ordinance adopted under this part shall be imposed for the privilege of selling tangible personal property at retail, and shall include provisions in substance as follows:

(a) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the county at the rate of 1 1/4 percent, *and on and after the end of the revenue exchange period at the rate of three-quarters of 1 percent*, of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the county.

(b) Provisions identical to those contained in Part 1 (commencing with Section 6001), insofar as they relate to sales taxes, except that the name of the county as the taxing agency shall be substituted for that of the state and that an additional seller's permit shall not be required if one has been or is issued to the seller under Section 6067.

(c) A provision that all amendments subsequent to the effective date of the enactment of Part 1 (commencing with Section 6001) relating to sales tax and not inconsistent with this part, shall automatically become a part of the sales tax ordinance of the county.

(d) A provision that the county shall contract prior to the effective date of the county sales and use tax ordinances with the State Board of Equalization to perform all functions incident to the administration or operation of the sales and use tax ordinance of the county. Any such contract shall contain a provision that the county agrees to comply with the provisions of Article 11 (commencing with Section 29530) of Chapter 2 of Division 3 of Title 3 of the Government Code.

(e) A provision that the ordinance may be made inoperative not less than 60 days, but not earlier than the first day of the calendar quarter, following the county's lack of compliance with Article 11 (commencing with Section 29530) of Chapter 2 of Division 3 of Title 3 of the Government Code or following an increase by any city within the county of the rate of its sales or use tax above the rate in effect at the time the county ordinance was enacted.

(f) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(g) A provision that there is exempted from the sales tax ~~80 percent, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 cease to apply,~~ 67 percent, of the gross receipts from the sale of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.

(h) A provision that any person subject to a sales and use tax under the county ordinance shall be entitled to credit against the payment of taxes due under that ordinance the amount of sales and use tax due to any city in the county; provided that the city sales and use tax is levied under an ordinance including provisions in substance as follows:

(1) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the city *on and after the end of the revenue exchange period* at the rate of *one-half of 1 percent* or less of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the city and a use tax *on and after the revenue exchange period of one-half of 1 percent* or less of purchase price upon the storage, use or other consumption of tangible personal property purchased from a retailer for storage, use or consumption in the city.

(2) Provisions identical to those contained in Part 1 (commencing with Section 6001), insofar as they relate to sales and use taxes, except that the name of the city as the taxing agency shall be substituted for that of the state (but the name of the city shall not be substituted for the word "state" in the phrase "retailer engaged in business in this state" in Section 6203 nor in the definition of that phrase in Section 6203) and that an additional seller's permit shall not be required if one has been or is issued to the seller under Section 6067.

(3) A provision that all amendments subsequent to the effective date of the enactment of Part 1 (commencing with Section 6001) relating to sales and use tax and not inconsistent with this part, shall automatically become a part of the sales and use tax ordinance of the city.

(4) A provision that the city shall contract prior to the effective date of the city sales and use tax ordinance with the State Board of Equalization to perform all functions incident to the administration or operation of the sales and use tax ordinance of the city which shall continue in effect so long as the county within which the city is located has an operative sales and use tax ordinance enacted pursuant to this part.

(5) A provision that the storage, use or other consumption of tangible personal property, the gross receipts from the sale of which has been subject to sales tax under a sales and use tax ordinance enacted in accordance with this part by any city and county, county, or city in this state, shall be exempt from the tax due under this ordinance.

(6) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(7) A provision that there are exempted from the computation of the amount of the sales tax the gross receipts from the sale of tangible personal property to operators of aircraft to be used or consumed principally outside the city in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property

under the authority of the laws of this state, the United States, or any foreign government.

(8) A provision that, in addition to the exemptions provided in Sections 6366 and 6366.1, the storage, use, or other consumption of tangible personal property purchased by operators of aircraft and used or consumed by the operators directly and exclusively in the use of the aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this state, the United States, or any foreign government is exempt from the use tax.

(i) For purposes of this section, "revenue exchange period" means the period on and after July 1, 2004, and before the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

SECTION 20. Amendment of Section 7203 of Revenue and Taxation Code. Section 7203 of the Revenue and Taxation Code is amended to read in its entirety as follows:

7203. (a) The use tax portion of any sales and use tax ordinance adopted under this part shall impose a complementary tax upon the storage, use or other consumption in the county of tangible personal property purchased from any retailer for storage, use or other consumption in the county.

(b) That tax shall be at the rate of $11/4$ percent, and on and after the end of the revenue exchange period at the rate of three-quarters of 1 percent, of the sales price of the property whose storage, use or other consumption is subject to the tax and shall include:

(a 1) Provisions identical to the provisions contained in Part 1 (commencing with Section 6001), other than Section 6201 insofar as those provisions relate to the use tax, except that the name of the county as the taxing agency enacting the ordinance shall be substituted for that of the state (but the name of the county shall not be substituted for the word

"state" in the phrase "retailer engaged in business in this state" in Section 6203 nor in the definition of that phrase in Section 6203).

(b 2) A provision that all amendments subsequent to the date of such ordinance to the provisions of the Revenue and Taxation Code relating to the use tax and not inconsistent with this part shall automatically become a part of the ordinance.

(c 3) A provision that the storage, use or other consumption of tangible personal property, the gross receipts from the sale of which has been subject to sales tax under a sales and use tax ordinance enacted in accordance with this part by any city and county, county, or city in this state, shall be exempt from the tax due under this ordinance.

(d 4) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(e 5) A provision that, in addition to the exemptions provided in Sections 6366 and 6366.1, the storage, use, or other consumption of tangible personal property, other than fuel or petroleum products, purchased by operators of aircraft and used or consumed by the operators directly and exclusively in the use of the aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this state, the United States or any foreign government is exempt from 80 percent of the use tax, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 cease to apply, exempt from 67 percent of the use tax.

(c) For purposes of this section, "revenue exchange period" means the period on and after July 1, 2004, and before the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

SECTION 21. Amendment of Section 7203.1 of Revenue and Taxation Code. Section 7203.1 of the Revenue and Taxation Code is amended to read in its entirety as follows:

7203.1. (a) Notwithstanding any other provision of law, during the revenue exchange period ~~only~~, the authority of a county or a city under this part to impose a tax rate as specified in an ordinance adopted pursuant to Sections 7202 and 7203 is suspended, and the tax rate to be applied instead during that period under any ordinance as so adopted is the applicable of the following:

(1) In the case of a county, three-quarters of 1 percent.

(2) In the case of a city, one-half of 1 percent.

(b) Notwithstanding any other provision of law, on and after the end of the revenue exchange period, the authority of a county or a city under this part to impose a tax rate as specified in an ordinance adopted pursuant to Sections 7202 and 7203 shall be limited to the following:

(1) In the case of a county, a tax rate not to exceed three-quarters of 1 percent.

(2) In the case of a city, a tax rate not to exceed one-half of 1 percent.

~~(b)~~ (c) For purposes of this section, "revenue exchange period" means the period on and after July 1, 2004, and before the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

~~(e)~~ (d) Subdivisions (a) and (b) ~~is-a~~ are self-executing provisions that operates without regard to any decision or act on the part of any local government. A change in a local general tax rate resulting from ~~either~~ the rate limitations applied by subdivisions (a) ~~or the end of the revenue exchange period and (b)~~ is not subject to voter approval under either statute or Article XIII C of the California Constitution.

(e) Existing sales and use tax exchange and revenue sharing agreements, entered into prior to the operative date of this section, between local governments or between local governments and nonlocal governments shall be deemed to be modified to account for the reduction in sales and use tax revenues resulting from this section, with those reduced revenues to be replaced with property tax revenues as otherwise provided by law.

SECTION 22. **Addition of Section 16 to Article XI of Constitution, amendment of Section 29530 of Government Code, addition of Section 30021 of Government Code, repeal and addition of Section 97.68 of Revenue and Taxation Code, addition of sections 6051.7, 6051.9, 6051.95, 6201.7, 6201.9, 6201.95, and 7101.4 to the Revenue and Taxation Code, and amendment of Sections 7202, 7203, and 7203.1 of Revenue and Taxation Code in event Assembly Bill 9, enacted as Chapter 2 of the 2003-04 Fifth Extraordinary Session, becomes operative.** In accordance with Assembly Bill 9, enacted as Chapter 2 of the 2003-04 Fifth Extraordinary Session, and filed with the Secretary of State on December 12, 2003, certain additions and amendments to portions of the Government Code and the Revenue and Taxation Code are to become operative upon the occurrence of the following: (i) submittal to and approval by the voters of Assembly Constitutional Amendment 5 of the 2003-04 Fifth Extraordinary Session at the March 2, 2004 statewide primary election, and (ii) adoption by the voters of the Economic Recovery Bond Act at the March 2, 2004 statewide primary election. Some of the provisions of Assembly Bill 9, if operative, would be inconsistent with some of the provisions of the California Home Rule Amendment. The voters expressly declare their intent that in the event that Sections 1 to 4.20, inclusive, of Assembly Bill 9 become operative, and only in such event, the following constitutional and statutory modifications be adopted in lieu of the modifications otherwise set forth above.

A. Addition of Section 16 to Article XI of Constitution. In lieu of the provisions of Section 5 hereof set forth above, Section 16 is added to Article XI of the Constitution to read in its entirety as follows:

Section 16. (a) The property tax revenues that are collected by counties pursuant to subdivision (a) of Section 1 of Article XIII A of the Constitution for allocation to counties and cities shall be apportioned by county auditors to each city and each county according to this section, other applicable provisions of the California Home Rule Amendment, and other laws implementing the provisions of the California Home Rule Amendment for the purpose of effecting the transfers and allocations of revenues required pursuant to the California Home Rule Amendment.

(b) *For the 2005-06 fiscal year, and each fiscal year thereafter, the amount of property tax revenues allocated to each city and each county shall be determined on the basis of a percentage of the total amount of property tax revenues that are collected by the county pursuant to subdivision (a) of Section 1 of Article XIII A.*

(c) *Each county auditor shall calculate the percentage of property tax revenues to be allocated to each city and each county pursuant to subdivision (b) by dividing the sum of property tax revenues, including but not limited to those revenues allocated from the Sales and Use Tax Compensation Fund, the portion of sales tax revenues imposed by the State upon a retailer or consumer pursuant to the terms of the Bradley-Burns Uniform Sales and Use Tax (Chapter 1 of Part 1.5 of the Revenue and Taxation Code) derived at the rate of one-quarter of one percent, and vehicle license fee revenues that were allocated to each city and each county in fiscal year 2004-05 by the total amount of property tax revenues that were collected by the county in fiscal year 2004-05 for the applicable tax rate areas.*

B. Amendment of Section 29530 of Government Code. In lieu of the provisions of Section 10 hereof set forth above, Section 29530 of the Government Code is amended to read in its entirety as follows:

29530. (a) If the board of supervisors so agrees by contract with the State Board of Equalization, the board of supervisors shall establish a local transportation fund in the county treasury and shall deposit in the fund all revenues transmitted to the county by the State Board of Equalization under Section 7204 of the Revenue and Taxation Code, which are derived from that portion of the taxes imposed by the county at a rate in excess of 1 percent, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 of the Revenue and Taxation Code cease to apply, at a rate in excess of three quarters one-half of 1 percent, pursuant to Part 1.5 (commencing with Section 7200) of Division 2 of that code, less an allocation of the cost of the services of the State Board of Equalization in administering the sales and use tax ordinance related to the rate in excess of 1 percent, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 of the Revenue and Taxation Code cease to apply, to the rate in excess of three quarters one-half of 1 percent, and of the

Director of Transportation and the Controller in administering the responsibilities assigned to him or her in Chapter 4 (commencing with Section 99200) of Part 11 of Division 10 of the Public Utilities Code.

(b) Any interest or other income earned by investment or otherwise of the local transportation fund shall accrue to and be a part of the fund.

C. Addition of Section 30021 of Government Code. In lieu of the provisions of Section 11 hereof adding Section 30021 to the Government Code as set forth above, Section 30021 of the Government Code is added to read in its entirety as follows:

30021. Each county's School Assistance Fund for Education shall consist of the following moneys:

(a) (1) All revenues that are derived from or attributable to the fund established by the Vehicle License Fee Law, or its successor or replacement fund or account, howsoever designated, other than fees on trailer coaches and mobilehomes, over and above the costs of collection and any refunds authorized by law, shall be transferred and allocated by the Controller to each county's School Assistance Fund for Education on the basis of population of such county in relation to the population of the State.

(2) Excluded from this subdivision shall be the portion of those revenues derived from or attributable to the fund established by the Vehicle License Fee Law, or its successor or replacement fund or account, howsoever designated, that are transferred to the Local Revenue Fund pursuant to Revenue and Taxation Code Sections 11000 through 11006, and that are allocated to and restricted for funding the programs specified by Welfare and Institutions Code Sections 17600 through 17600.20. In the event that such transferred revenues are no longer allocated to and restricted for funding those specified programs, then such revenues shall be transferred and allocated by the Controller to each county's School Assistance Fund for Education on the basis of population of such county in relation to the population of the State.

(3) This subdivision shall apply only to those revenues derived from or attributable to the fund established by the Vehicle License Fee Law, or its successor or replacement fund or account, howsoever designated, for taxes imposed on and after July 1, 2005.

(b) All revenues, less refunds if any, derived from the taxes imposed pursuant to Sections 6051.7, 6051.9, 6201.7, and 6201.9 of the Revenue and Taxation Code.

D. Repeal of Section 97.68 of Revenue and Taxation Code. In lieu of the provisions of Section 12 hereof set forth above, the provisions of Section 97.68 of the Revenue and Taxation Code in effect on the effective date of the California Home Rule Amendment shall no longer be operative after June 30, 2005, shall be deemed repealed as of such date, and shall be replaced with the provisions set forth in subdivision E below.

~~97.68. Notwithstanding any other provision of law, in allocating ad valorem property tax revenue allocations for each fiscal year during the fiscal adjustment period, all of the following apply:~~

~~(a) (1) The total amount of ad valorem property tax revenue otherwise required to be allocated to a county's Educational Revenue Augmentation Fund shall be reduced by the countywide adjustment amount.~~

~~(2) The countywide adjustment amount shall be deposited in a Sales and Use Tax Compensation Fund that shall be established in the treasury of each county.~~

~~(b) For purposes of this section, the following definitions apply:~~

~~(1) "Fiscal adjustment period" means the period beginning with the 2004-05 fiscal year and continuing through the fiscal year in which the Director of Finance notifies the State Board of Equalization pursuant to subdivision (b) of Section 99006 of the Government Code.~~

~~(2) "Countywide adjustment amount" means the combined total revenue loss of the county and each city in the county that is annually estimated by the Director of Finance, based on the taxable sales in that county in the prior fiscal year as determined by the State Board of Equalization and reported to the director on or before August 15 of each fiscal year during the fiscal adjustment period, to result for each of those fiscal years from the 0.25 percent reduction in local sales and use rate tax authority applied by Section 7203.1.~~

~~(c) For each fiscal year during the fiscal adjustment period, moneys in the Sales and Use Tax Compensation Fund shall be allocated among the county and the cities in the county, and those allocations shall be subsequently adjusted, as follows:~~

~~(1) The Director of Finance shall, on or before September 1 of each fiscal year during the fiscal adjustment period, notify each county auditor of that portion of the countywide adjustment amount for that fiscal year that is attributable to the county and to each city within that county.~~

~~(2) The county auditor shall allocate revenues in the Sales and Use Tax Compensation Fund among the county and cities in the county in the amounts described in paragraph (1). The auditor shall allocate one half of the amount described in paragraph (1) in each January during the fiscal adjustment period and shall allocate the balance of that amount in each May during the fiscal adjustment period.~~

~~(3) After the end of each fiscal year during the fiscal adjustment period, other than a fiscal year subject to subdivision (d), the Director of Finance shall, based on the actual taxable sales for the prior fiscal year, recalculate each amount estimated under paragraph (1) and notify the county auditor of the recalculated amount.~~

~~(4) If the amount recalculated under paragraph (3) for the county or any city in the county is greater than the amount allocated to that local agency under paragraph (2), the county auditor shall, in the fiscal year next following the fiscal year for which the allocation was made, transfer an amount of ad valorem property tax revenue equal to this difference from the Sales and Use Tax Compensation Fund to that local agency.~~

~~(5) If the amount recalculated under paragraph (3) for the county or any city in the county is less than the amount allocated to that local agency under paragraph (2), the county auditor shall, in the fiscal year next following the fiscal year for which the allocation was made, reduce the total amount of ad valorem property tax revenue otherwise~~

~~allocated to that city or county from the Sales and Use Tax Compensation Fund by an amount equal to this difference and instead allocate this difference to the county Educational Revenue Augmentation Fund.~~

~~(6) If there is an insufficient amount of moneys in a county's Sales and Use Tax Compensation Fund to make the transfers required by paragraph (4), the county auditor shall transfer from the county Educational Revenue Augmentation Fund an amount sufficient to make the full amount of these transfers.~~

~~(d) (1) If Section 7203.1 ceases to be operative during any calendar quarter that is not the calendar quarter in which the fiscal year begins, the excess amount, as defined in paragraph (2), of the county and each city in the county shall be reallocated from each of those local agencies to the Educational Revenue Augmentation Fund.~~

~~(2) For purposes of this subdivision, "excess amount" means the product of both of the following:~~

~~(A) The total amount of ad valorem property tax revenue allocated to that local agency pursuant to paragraph (2) of subdivision (c).~~

~~(B) That percentage of the fiscal year in which Section 7203.1 is not operative.~~

~~(e) For the 2005-06 fiscal year and each fiscal year thereafter, the amounts determined under subdivision (a) of Section 96.1, or any successor to that provision, may not reflect any portion of any property tax revenue allocation required by this section for a preceding fiscal year.~~

~~(f) This section may not be construed to do any of the following:~~

~~(1) Reduce any allocations of excess, additional, or remaining funds that would otherwise have been allocated to cities, counties, cities and counties, or special districts pursuant to clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2 and clause (i) of subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.3, had this section not been enacted. The~~

~~allocation made pursuant to subdivisions (a) and (c) shall be adjusted to comply with this paragraph.~~

~~(2) Require an increased ad valorem property tax revenue allocation to a community redevelopment agency.~~

~~(3) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is determined or allocated in a county.~~

~~(g) Existing tax exchange or revenue sharing agreements, entered into prior to the operative date of this section, between local agencies or between local agencies and nonlocal agencies shall be deemed to be temporarily modified to account for the reduced sales and use tax revenues, resulting from the temporary reduction in the local sales and use tax rate, with those reduced revenues to be replaced in kind by property tax revenue from a Sales and Use Tax Compensation Fund or an Educational Revenue Augmentation Fund, on a temporary basis, as provided by this section.~~

E. Addition of Section 97.68 of Revenue and Taxation Code. In lieu of the provisions of Section 13 hereof adding Section 97.68 to the Revenue and Taxation Code as set forth above, operative on and after July 1, 2005, and for fiscal year 2005-06 and each fiscal year thereafter, Section 97.68 of the Revenue and Taxation Code is added to read in its entirety as follows:

97.68 (a) Notwithstanding any other provision of this chapter, and in accordance with Section 16 of Article XI of the Constitution and other applicable provisions of law implementing the California Home Rule Amendment, revenues of ad valorem property taxes collected pursuant to subdivision (a) of Section 1 of Article XIII A of the Constitution and allocated to counties and to cities shall be apportioned according to this section for the 2005-06 fiscal year and each fiscal year thereafter.

(b) For each applicable tax rate area, each city shall be allocated a certain percentage of property tax revenues that are collected by the county in which the city is located.

(1) The percentage of property tax revenues allocated to each city shall be calculated on the basis of the amounts of property tax revenues, including but not limited to those revenues allocated

from the Sales and Use Tax Compensation Fund, the portion of sales tax revenues imposed by the State upon a retailer or consumer pursuant to the terms of the Bradley-Burns Uniform Sales and Use Tax (Chapter 1 of Part 1.5 of the Revenue and Taxation Code) derived at the rate of one-quarter of one percent, and vehicle license fee revenues that were allocated to the city in fiscal year 2004-05 divided by the total amount of property tax revenues that were collected in fiscal year 2004-05 by the county in which the city is located.

(2) For the purposes of this subdivision, the amount of vehicle license fee revenues deemed to have been allocated to the city in fiscal year 2004-05 shall be calculated on the basis of a fee equal to two percent of the market value of the vehicle as determined by the Department of Motor Vehicles.

(c) For each applicable tax rate area, each county shall be allocated a certain percentage of property tax revenues that are collected by the county.

(1) The percentage of property tax revenues allocated to each county shall be calculated on the basis of the amounts of property tax revenues, including but not limited to those revenues allocated from the Sales and Use Tax Compensation Fund, the portion of sales tax revenues imposed by the State upon a retailer or consumer pursuant to the terms of the Bradley-Burns Uniform Sales and Use Tax (Chapter 1 of Part 1.5 of the Revenue and Taxation Code) derived at the rate of one-quarter of one percent, and vehicle license fee revenues that were allocated to the county in fiscal year 2004-05 divided by the total amount of property tax revenues that were collected in fiscal year 2004-05 by the county.

(2) Excluded from the calculation in paragraph (1) shall be revenues derived from vehicle license fees that are allocated to counties for the programs and services that are required pursuant to Revenue and Taxation Code Sections 11000 through 11006 for funding the programs specified by Welfare and Institutions Code Sections 17600 through 17600.20.

(3) For the purposes of this subdivision, the amount of vehicle license fee revenues deemed to have been allocated to the county in fiscal year 2004-05 shall be calculated on the basis of a fee equal to two percent of the market value of the vehicle as determined by the Department of Motor Vehicles.

(d) Notwithstanding any other provision of law, the total amount of ad valorem property tax revenue otherwise required to be allocated to a county's Educational Revenue Augmentation Fund shall be reduced by the amount required to make the allocations specified in subdivisions (b) and (c). In the event that the county's Educational Revenue Augmentation Fund is not sufficient in amount to effect the required reduction, then the deficit amount shall be reduced from the allocated local proceeds of taxes available in the county for allocation to school districts and community college districts. In the event that the county's Educational Revenue Augmentation Fund and allocated local proceeds of taxes available in the county for allocation to school districts and community college districts are not sufficient in amount to effect the required reduction, then the deficit amount shall be allocated from the county's School Assistance Fund for Education established pursuant to Chapter 6.3 (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

(e) For the fiscal year 2006-07, and each fiscal year thereafter, ad valorem property tax revenues made pursuant to Section 96.1 shall fully incorporate the allocation adjustments required by this section.

(f) All provisions of Chapter 6 (commencing with Section 95), to the extent not inconsistent with the provisions of this section, shall be applicable to the allocation of ad valorem property tax revenues for the fiscal year 2006-07, and each fiscal year thereafter.

(g) Notwithstanding the repeal of Section 15 of Article XI of the Constitution and the addition of Section 36 to Article XIII of the Constitution pursuant to the California Home Rule Amendment, the amount, if any, that is allocated to each city and each county from the fund established by the Vehicle License Fee Law, or its successor or replacement fund, howsoever designated, shall be deducted from the property tax revenues otherwise required to be allocated to each city and each county pursuant to subdivisions (b) and (c).

(h) Each city and each county, within a three-year period commencing on January 1, 2005, shall have the opportunity to submit a one-time petition to the county auditor to implement a recalculation and adjustment to the percentage of property tax revenues allocated to such city or county pursuant to subdivisions (b) and (c) based on increased sales tax revenues that, but for the

California Home Rule Amendment, would have been allocated to the city or the county by reason of one or more approved development projects for which development applications were accepted as complete on or before January 1, 2005. Upon receipt of such a petition, the county auditor, upon consultation with the State Board of Equalization as appropriate, shall determine the appropriate recalculation adjustment.

(i) Nothing in this section shall do any of the following:

(1) Require an increased ad valorem property tax revenue allocation to a community redevelopment agency.

(2) Alter the manner in which ad valorem property tax revenue growth from fiscal year to fiscal year is determined in a county.

(3) Interfere with or otherwise impair the realignment of funds and financial responsibility for programs and services that is required pursuant to Revenue and Taxation Code Sections 11000 through 11006 for funding the programs specified by Welfare and Institutions Code Sections 17600 through 17600.20.

(j) Existing sales and use tax exchange and revenue sharing agreements, entered into prior to the operative date of this section, between local governments or between local governments and nonlocal governments shall be deemed to be modified to account for the reduction in sales and use tax revenues resulting from this section, with those reduced revenues to be replaced with property tax revenues as otherwise provided by law.

F. Addition of Section 6051.7 to Revenue and Taxation Code. In lieu of the provisions of Section 14 hereof adding Section 6051.7 to the Revenue and Taxation Code as set forth above, Section 6051.7 is added to the Revenue and Taxation Code to read in its entirety as follows:

6051.7 (a) In addition to the taxes imposed by Section 6051 and any other provision of this part, for the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of one-quarter of 1 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state.

(b) All revenues, net of refunds, received pursuant to this section shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund

for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

(c) Revenues received pursuant to this section accruing to the School Assistance Fund for Education for each county shall not be considered to be "State General Fund proceeds of taxes appropriated pursuant to Article XIII B" within the meaning of either Section 8 of Article XVI of the California Constitution or Section 41202 of the Education Code.

(d) This section shall become operative on the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

G. Addition of Section 6051.9 to Revenue and Taxation Code. Section 6051.8 is added to the Revenue and Taxation Code to read in its entirety as follows:

6051.9 (a) In addition to the taxes imposed by Section 6051 and any other provision of this part, for the privilege of selling tangible personal property at retail a tax is hereby imposed upon all retailers at the rate of one-quarter of 1 percent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail in this state.

(b) All revenues, net of refunds, received pursuant to this section shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

(c) Revenues received pursuant to this section accruing to the School Assistance Fund for Education for each county shall not be considered to be "State General Fund proceeds of taxes appropriated pursuant to Article XIII B" within the meaning of either Section 8 of Article XVI of the California Constitution or Section 41202 of the Education Code.

(d) This section shall become operative on July 1, 2005.

H. Addition of Section 6051.95 to Revenue and Taxation Code. Section 6051.10 is added to the Revenue and Taxation Code to read in its entirety as follows:

6051.95. *There are exempted from the taxes imposed by Section 6051.9 the gross receipts derived from the sale of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.*

I. Addition of Section 6201.7 to Revenue and Taxation Code. In lieu of the provisions of Section 15 hereof adding Section 6201.7 to the Revenue and Taxation Code as set forth above, Section 6201.7 is added to the Revenue and Taxation Code to read in its entirety as follows:

6201.7. (a) *In addition to the taxes imposed by Section 6201 and any other provision of this part, an excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer at the rate of one-quarter of 1 percent of the sales price of the property.*

(b) *All revenues, net of refunds, received pursuant to this section shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.*

(c) *Revenues received pursuant to this section accruing to the School Assistance Fund for Education for each county shall not be considered to be "State General Fund proceeds of taxes appropriated pursuant to Article XIII B" within the meaning of either Section 8 of Article XVI of the California Constitution or Section 41202 of the Education Code.*

(d) *This section shall become operative on the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.*

J. Addition of Section 6201.9 to Revenue and Taxation Code. Section 6201.9 is added to the Revenue and Taxation Code to read in its entirety as follows:

6201.9. (a) *In addition to the taxes imposed by Section 6201 and any other provision of this part, an excise tax is hereby imposed on the storage, use, or other consumption in this state of tangible personal property purchased from any retailer at the rate of one-quarter of 1 percent of the sales price of the property.*

(b) *All revenues, net of refunds, received pursuant to this section shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.*

(c) *Revenues received pursuant to this section accruing to the School Assistance Fund for Education for each county shall not be considered to be "State General Fund proceeds of taxes appropriated pursuant to Article XIII B" within the meaning of either Section 8 of Article XVI of the California Constitution or Section 41202 of the Education Code.*

(d) *This section shall become operative on July 1, 2005.*

K. Addition of Section 6201.95 to Revenue and Taxation Code. Section 6201.10 is added to the Revenue and Taxation Code to read in its entirety as follows:

6201.95. *There are exempted from the taxes imposed by Section 6201.9 the storage, use, or other consumption in this state of tangible personal property, other than fuel or petroleum products, by operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.*

L. Addition of Section 7101.4 to Revenue and Taxation Code. In lieu of the provisions of Section 18 hereof adding Section 7101.4 to the Revenue and Taxation Code as set forth above, Section 7101.4 is added to the Revenue and Taxation Code to read in its entirety as follows:

7101.4. *Notwithstanding Section 7101, all revenues, less refunds, derived from the taxes imposed to Sections 6051.7,*

6051.9, 6201.7, and 6201.9 shall be collected by the State Board of Equalization and, upon collection, shall be transmitted to the School Assistance Fund for Education for the county where the taxable activity occurred, which School Assistance Fund for Education for each county has been established pursuant to Chapter 6.3. (commencing with Section 30020) of Division 3 of Title 3 of the Government Code.

M. Amendment of Section 7202 of Revenue and Taxation Code. In lieu of the provisions of Section 19 hereof amending Section 7202 of the Revenue and Taxation Code as set forth above, Section 7202 of the Revenue and Taxation Code is amended to read in its entirety as follows:

7202. The sales tax portion of any sales and use tax ordinance adopted under this part shall be imposed for the privilege of selling tangible personal property at retail, and shall include provisions in substance as follows:

(a) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the county at the rate of 1 1/4 percent, *and on and after the end of the revenue exchange period at the rate of three-quarters of 1 percent*, of the gross receipts of the retailer from the sale of all tangible personal property sold by that person at retail in the county.

(b) Provisions identical to those contained in Part 1 (commencing with Section 6001), insofar as they relate to sales taxes, except that the name of the county as the taxing agency shall be substituted for that of the state and that an additional seller's permit shall not be required if one has been or is issued to the seller under Section 6067.

(c) A provision that all amendments subsequent to the effective date of the enactment of Part 1 (commencing with Section 6001) relating to sales tax and not inconsistent with this part, shall automatically become a part of the sales tax ordinance of the county.

(d) A provision that the county shall contract prior to the effective date of the county sales and use tax ordinances with the State Board of Equalization to perform all functions incident to the administration or operation of the sales and

use tax ordinance of the county. Any such contract shall contain a provision that the county agrees to comply with the provisions of Article 11 (commencing with Section 29530) of Chapter 2 of Division 3 of Title 3 of the Government Code.

(e) A provision that the ordinance may be made inoperative not less than 60 days, but not earlier than the first day of the calendar quarter, following the county's lack of compliance with Article 11 (commencing with Section 29530) of Chapter 2 of Division 3 of Title 3 of the Government Code or following an increase by any city within the county of the rate of its sales or use tax above the rate in effect at the time the county ordinance was enacted.

(f) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(g) A provision that there is exempted from the sales tax ~~80 percent, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 cease to apply, 75~~ 67 percent, of the gross receipts from the sale of tangible personal property, other than fuel or petroleum products, to operators of aircraft to be used or consumed principally outside the county in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.

(h) A provision that any person subject to a sales and use tax under the county ordinance shall be entitled to credit against the payment of taxes due under that ordinance the amount of sales and use tax due to any city in the county; provided that the city sales and use tax is levied under an ordinance including provisions in substance as follows:

(1) A provision imposing a tax for the privilege of selling tangible personal property at retail upon every retailer in the city *on and after the end of the revenue exchange period* at the rate of *one-half* of 1 percent or less of the gross receipts of the retailer from the sale of all tangible personal

property sold by that person at retail in the city and a use tax *on and after the revenue exchange period of one-half of 1 percent* or less of purchase price upon the storage, use or other consumption of tangible personal property purchased from a retailer for storage, use or consumption in the city.

(2) Provisions identical to those contained in Part 1 (commencing with Section 6001), insofar as they relate to sales and use taxes, except that the name of the city as the taxing agency shall be substituted for that of the state (but the name of the city shall not be substituted for the word "state" in the phrase "retailer engaged in business in this state" in Section 6203 nor in the definition of that phrase in Section 6203) and that an additional seller's permit shall not be required if one has been or is issued to the seller under Section 6067.

(3) A provision that all amendments subsequent to the effective date of the enactment of Part 1 (commencing with Section 6001) relating to sales and use tax and not inconsistent with this part, shall automatically become a part of the sales and use tax ordinance of the city.

(4) A provision that the city shall contract prior to the effective date of the city sales and use tax ordinance with the State Board of Equalization to perform all functions incident to the administration or operation of the sales and use tax ordinance of the city which shall continue in effect so long as the county within which the city is located has an operative sales and use tax ordinance enacted pursuant to this part.

(5) A provision that the storage, use or other consumption of tangible personal property, the gross receipts from the sale of which has been subject to sales tax under a sales and use tax ordinance enacted in accordance with this part by any city and county, county, or city in this state, shall be exempt from the tax due under this ordinance.

(6) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(7) A provision that there are exempted from the computation of the amount of the sales tax the gross receipts from the sale of tangible personal property to operators of aircraft to be used or consumed principally outside the city in which the sale is made and directly and exclusively in the use of the aircraft as common carriers of persons or property under the authority of the laws of this state, the United States, or any foreign government.

(8) A provision that, in addition to the exemptions provided in Sections 6366 and 6366.1, the storage, use, or other consumption of tangible personal property purchased by operators of aircraft and used or consumed by the operators directly and exclusively in the use of the aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this state, the United States, or any foreign government is exempt from the use tax.

(i) For purposes of this section, "revenue exchange period" means the period on and after July 1, 2004, and before the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

N. Amendment of Section 7203 of Revenue and Taxation Code. In lieu of the provisions of Section 20 hereof amending Section 7203 of the Revenue and Taxation Code as set forth above, Section 7203 of the Revenue and Taxation Code is amended to read in its entirety as follows:

7203. (a) The use tax portion of any sales and use tax ordinance adopted under this part shall impose a complementary tax upon the storage, use or other consumption in the county of tangible personal property purchased from any retailer for storage, use or other consumption in the county.

(b) That tax shall be at the rate of 11/4 percent, and on and after the end of the revenue exchange period at the rate of three-quarters of 1 percent, of the sales price of the property whose storage, use or other consumption is subject to the tax and shall include:

(a 1) Provisions identical to the provisions contained in Part 1 (commencing with Section 6001), other than Section 6201 insofar as those provisions relate to the use tax, except that the name of the county as the taxing agency enacting the ordinance shall be substituted for that of the state (but the name of the county shall not be substituted for the word "state" in the phrase "retailer engaged in business in this state" in Section 6203 nor in the definition of that phrase in Section 6203).

(b 2) A provision that all amendments subsequent to the date of such ordinance to the provisions of the Revenue and Taxation Code relating to the use tax and not inconsistent with this part shall automatically become a part of the ordinance.

(c 3) A provision that the storage, use or other consumption of tangible personal property, the gross receipts from the sale of which has been subject to sales tax under a sales and use tax ordinance enacted in accordance with this part by any city and county, county, or city in this state, shall be exempt from the tax due under this ordinance.

(d 4) A provision that the amount subject to tax shall not include the amount of any sales tax or use tax imposed by the State of California upon a retailer or consumer.

(e 5) A provision that, in addition to the exemptions provided in Sections 6366 and 6366.1, the storage, use, or other consumption of tangible personal property, other than fuel or petroleum products, purchased by operators of aircraft and used or consumed by the operators directly and exclusively in the use of the aircraft as common carriers of persons or property for hire or compensation under a certificate of public convenience and necessity issued pursuant to the laws of this state, the United States or any foreign government is exempt from ~~80 percent of the use tax, and on and after July 1, 2004, until the rate modifications in subdivision (a) of Section 7203.1 cease to apply, exempt from~~ 75 67 percent of the use tax.

(c) *For purposes of this section, "revenue exchange period" means the period on and after July 1, 2004, and before the first day of the first calendar quarter commencing more than 90 days*

following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

O. Amendment of Section 7203.1 of Revenue and Taxation Code. In lieu of the provisions of Section 21 hereof amending Section 7203.1 of the Revenue and Taxation Code as set forth above, Section 7203.1 of the Revenue and Taxation Code is amended to read in its entirety as follows:

7203.1. (a) Notwithstanding any other provision of law, during the revenue exchange period ~~only~~, the authority of a county or a city under this part to impose a tax rate as specified in an ordinance adopted pursuant to Sections 7202 and 7203 is suspended, and the tax rate to be applied instead during that period under any ordinance as so adopted is the applicable of the following:

(1) In the case of a county, *three-quarters of 1 percent.*

(2) In the case of a city, ~~three-quarters~~ *one-half of 1 percent.*

(b) Notwithstanding any other provision of law, on and after the end of the revenue exchange period, the authority of a county or a city under this part to impose a tax rate as specified in an ordinance adopted pursuant to Sections 7202 and 7203 shall be limited to the following:

(1) In the case of a county, a tax rate not to exceed three-quarters of 1 percent.

(2) In the case of a city, a tax rate not to exceed one-half of 1 percent.

~~(b)~~ (c) For purposes of this section, "revenue exchange period" means the period on and after July 1, 2004, and before the first day of the first calendar quarter commencing more than 90 days following a notification to the board by the Director of Finance pursuant to subdivision (b) of Section 99006 of the Government Code.

~~(e)~~ (d) Subdivisions (a) and (b) ~~is-a~~ are self-executing provisions that operates without regard to any decision or act on the part of any local government. A change in a local general tax rate resulting from ~~either~~ the rate limitations

applied by subdivisions (a) ~~or the end of the revenue exchange period~~ and (b) is not subject to voter approval under either statute or Article XIII C of the California Constitution.

(d e) Existing sales and use tax exchange and revenue sharing agreements, entered into prior to the operative date of this section, between local governments or between local governments and nonlocal governments shall be deemed to be ~~temporarily~~ modified to account for the reduction in sales and use tax revenues resulting from this section, with those reduced revenues to be replaced *with property tax revenues* as ~~may~~ otherwise be provided by law.

SECTION 23. Effective date. The California Home Rule Amendment and all provisions thereof, unless otherwise expressly herein provided, shall take effect and become operative on the date the Secretary of State certifies the results of the election at which the California Home Rule Amendment was approved.

SECTION 24. Further implementation. The Legislature shall pass all laws necessary to carry out the provisions of the California Home Rule Amendment.

SECTION 25. Amendment. The California Home Rule Amendment may be amended only by a vote of two-thirds of the membership of both houses of the Legislature. All amendments to the California Home Rule Amendment shall be to further the California Home Rule Amendment and must be consistent with its purposes.

SECTION 26. Liberal construction. The provisions of the California Home Rule Amendment shall be liberally construed to effectuate its purposes of providing an adequate, reliable, and guaranteed source of funding to cities and counties to finance public safety, public health, parks, libraries, street maintenance, housing, economic development, and other vital community services.

SECTION 27. Severability. If any provision of the California Home Rule Amendment, or part thereof, is for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected, but shall remain in full force and effect, and to this end the provisions of the California Home Rule Amendment are severable.

THE LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT

SECTION ONE. Short Title.

These amendments to the California Constitution shall be known and may be cited as the LOCAL TAXPAYERS AND PUBLIC SAFETY PROTECTION ACT.

SECTION TWO. Findings and Purposes

(a) The People of the State of California find that restoring local control over local tax dollars is vital to insure that local tax dollars are used to provide critical local services including, but not limited to, police, fire, emergency and trauma care, public health, libraries, criminal justice, and road and street maintenance. Reliable funding for these services is essential for the security, well-being and quality of life of all Californians.

(b) For many years, the Legislature has taken away local tax dollars used by local governments so that the State could control those local tax dollars. In fact, the Legislature has been taking away billions of local tax dollars each year, forcing local governments to either raise local fees or taxes to maintain services, or cut back on critically needed local services.

(c) The Legislature's diversion of local tax dollars from local governments harms local governments' ability to provide such specific services as police, fire, emergency and trauma care, public health, libraries, criminal justice, and road and street maintenance.

(d) In recognition of the harm caused by diversion of local tax dollars and the importance placed on voter control of major decisions concerning government finance, and consistent with existing provisions of the California Constitution that give the people the right to vote on fiscal changes, the People of the State of California want the right to vote upon actions by the State government that take local tax dollars from local governments.

(e) The Local Taxpayers and Public Safety Protection Act is designed to insure that the People of the State of California shall have the right to approve or reject the actions of state government to take away local revenues that fund vitally needed local services.

(f) The Local Taxpayers and Public Safety Protection Act strengthens the requirement that if the State mandates local governments to implement new or expanded programs, then the State shall reimburse local governments for the cost of those programs.

(g) The Local Taxpayers and Public Safety Protection Act does not amend or modify the School Funding Initiative, Proposition 98 (Article XVI, section 8 of the California Constitution).

(h) Therefore, the People declare that the purposes of this Act are to:

- (1) require voter approval before the Legislature removes local tax dollars from the control of Local Government, as described in this measure;
- (2) insure that local tax dollars are dedicated to local governments to fund local public services;
- (3) insure that the Legislature reimburses local governments when the State mandates local governments to assume more financial responsibility for new or existing programs; and
- (4) prohibit the Legislature from deferring or delaying annual reimbursement to local governments for state-mandated programs.

SECTION THREE. Article XIII E is hereby added to the California Constitution to read as follows:

ARTICLE XIII E Local Taxpayers and Public Safety Protection Act

Section 1. State-wide Voter Approval Required.

(a) Approval by a majority vote of the electorate, as provided for in this section, shall be required before any act of the Legislature takes effect that removes the following funding sources, or portions thereof, from the control of any Local Government as follows:

- (1) Reduces, or suspends or delays the receipt of, any Local Government's proportionate share of the Local Property Tax when the Legislature exercises its power to apportion the Local Property Tax; or requires any Local Government to remit Local Property Taxes to the State, a state-created fund, or, without the consent of the affected Local Governments, to another Local Government;
- (2) Reduces, or delays or suspends the receipt of, the Local Government Base Year Fund to any Local Government, without appropriating funds to offset the reduction, delay or suspension in an equal amount;
- (3) Restricts the authority to impose, or changes the method of distributing, the Local Sales Tax;
- (4) Reduces, or suspends or delays the receipt of, the 2003 Local Government Payment Deferral; or
- (5) Fails to reinstate the suspended Bradley-Burns Uniform Sales Tax Rate in accordance with Section 97.68 of the Revenue and Taxation Code added by Chapter 162 of 2003 Statutes; or reduces any Local Government's allocation of the Property Tax required by Section 97.68 while the Sales Tax Rate is suspended.

(b) Prior to its submission to the electorate, an act subject to voter approval under this section must be approved by the same vote of the Legislature as is required to enact a budget bill and shall not take effect until approved by a majority of those voting on the measure at the next statewide election in accordance with subdivision (c).

(c) When an election is required by this section, the Secretary of State shall present the following question to the electorate: "Shall that action taken by the Legislature in [Chapter___ of the Statutes of ___], which affects local revenues, be approved?"

Section 2. Definitions

(a) "Local Government" means any city, county, city and county, or special district.

(b) "Local Government Base Year Fund" means the amount of revenue appropriated in the 2002-2003 fiscal year in accordance with Chapters 1 through 5, commencing with section 10701 of Part 5 of Division 2 of the Revenue and Taxation Code, adjusted annually based upon the change in assessed valuation of vehicles that are subject to those provisions of law. In the event that the fees imposed by those provisions of law are repealed, then the Fund shall be adjusted annually on July 1 by an amount not less than the percentage change in per capita personal income and the change in population, as calculated pursuant to Article XIII B.

(c) "2003 Local Government Payment Deferral" means the amount of revenues required to be transferred to Local Government from the General Fund specified in subparagraph D of paragraph 3 of subdivision (a) of section 10754 of the Revenue and Taxation Code in effect on August 11, 2003.

(d) "Local Property Tax" means any Local Government's January 1, 2003 proportionate share of ad valorem taxes on real property and tangible personal property apportioned pursuant to the Legislature's exercise of its power to apportion property taxes as specified in Article XIII A, section 1. "Local Property Tax" also means any Local Government's allocation of the ad valorem tax on real property and tangible personal property pursuant to Article XVI, section 16.

(e) "Local Sales Tax" means any sales and use tax imposed by any city, county, or city and county pursuant to the terms of the Bradley-Burns Uniform Sales and Use Tax (Chapter 1 of Part 1.5 of Division 2 of the Revenue and Taxation Code) in accordance with the law in effect on January 1, 2003.

(f) "Special District" means an agency of the State, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions with limited geographic boundaries, including redevelopment agencies, but not including school districts, community college districts, or county offices of education.

(g) "State" means the State of California.

Section 3. Interim Measures

(a) The operation and effect of any statute, or portion thereof, enacted between November 1, 2003 and the effective date of this Act, that would have required voter approval pursuant to Section 1 if enacted on or after the effective date of this Act (the "Interim Statute"), shall be suspended on that date and shall have no further force and effect until the date the Interim Statute is approved by the voters at the first statewide election following the effective date of this Act in the manner specified in Section 1. If the Interim Statute is not approved by the voters, it shall have no further force and effect.

(b) If the Interim Statute is approved by the voters, it shall nonetheless have no further force and effect during the period of suspension; provided, however, that the statute shall have force and effect during the period of suspension if the Interim Statute or separate act of the Legislature appropriates funds to affected local governments in an amount which is not less than the revenues affected by the Interim Statute.

(c) A statute or other measure that is enacted by the Legislature and approved by the voters between November 1, 2003 and the effective date of this Act is not an Interim Statute within the meaning of this section.

SECTION FOUR. Article XIIIB Section Six (6) is hereby amended as follows:

SEC. 6. (a) Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall annually provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

- ~~(a)~~ (1) Legislative mandates requested by the local agency affected;
- ~~(b)~~ (2) Legislation defining a new crime or changing an existing definition of a crime; or
- ~~(c)~~ (3) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) The annual subvention of funds required by this section shall be transmitted to the local government within 180 days of the effective date of the statute or regulation or order by a State officer or agency that mandates a new program or higher level of service, or within 180 days of a final adjudication that a subvention of funds is required pursuant to this section. For purposes of this section, the Legislature or any State agency or officer mandates a new program or higher level of service when it creates a new program, requires services not previously required to be provided, increases the frequency or duration of required services, increases the number of persons eligible for services, or transfers to local government complete or partial financial responsibility for a program for which the State previously had complete or partial financial responsibility.

(c) If during the fiscal year in which a claim for reimbursement is filed for a subvention of funds, the Legislature does not appropriate a subvention of funds that provides full reimbursement as required by subdivision (a), or does not appropriate a subvention of funds that provides full reimbursement as part of the state budget act in the fiscal year immediately following the filing of that claim for reimbursement, then a local government may elect one of the following options:

(1) Continue to perform the mandate. The local government shall receive reimbursement for its costs to perform the mandate through a subsequent appropriation and subvention of funds; or

(2) Suspend performance of the mandate during all or a portion of the fiscal year in which the election permitted by this subdivision is made. The local government may continue to suspend performance of the mandate during all or a portion of subsequent fiscal years until the fiscal year in which the Legislature appropriates the subvention of funds to provide full reimbursement as required by subdivision (a). A local government shall receive reimbursement for its costs for that portion of the fiscal year during which it performed the mandate through a subsequent appropriation and subvention of funds.

The terms of this subdivision do not apply to, and a local government may not make the election provided for in this subdivision, for a mandate that either requires a local government to provide or modify any form of protection, right, benefit or employment status for any local government employee or retiree, or provides or modifies any procedural or substantive right for any local government employee or employee organization, arising from, affecting, or directly relating to future, current, or past local government employment.

(d) For purposes of this section, "mandate" means a statute, or action or order of any state agency, which has been determined by the Legislature, any court, or the Commission on State Mandates or its designated successor, to require reimbursement pursuant to this section.

SECTION FIVE. Construction.

(a) This measure shall be liberally construed to effectuate its purposes, which include providing adequate funds to Local Government for local services including, but not limited to, such services as police, fire, emergency and trauma care, public health, libraries, criminal justice, and road and street maintenance.

(b) This measure shall not be construed either to alter the apportionment of the ad valorem tax on real property pursuant to Section 1 of Article XIII A by any statute in effect prior to January 1, 2003 or to prevent the Legislature from altering that apportionment in compliance with the terms of this measure.

(c) Except as provided in Section 3 of Article XIII E added by Section Three of this Act, the provisions of Section 1 of Article XIII E added by Section Three of this Act apply to all statutes adopted on or after the effective date of this Act.

SECTION SIX. If any part of this measure or its application to any person or circumstance is held invalid by a court of competent jurisdiction, the invalidity shall not affect other provisions or applications that reasonably can be given effect without the invalid provision or application.